

**HOUSING AUTHORITY OF NEW ROADS**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA  
(UNAUDITED)**

**TWELVE MONTHS ENDED JUNE 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-8-06

**Mike Estes, P.C.**  
A Professional Accounting Corporation

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Board of Commissioners  
Housing Authority of New Roads  
New Roads, Louisiana

We have reviewed the accompanying financial statements of the major fund, for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the accompanying supplementary information, which are presented for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Housing Authority of New Roads.

A review consists principally of inquiries of the Housing Authority of New Roads personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information and other supplementary information listed in the table of contents has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended June 30, 2006, all included therein.

Mike Estes, P.C.  
Fort Worth, Texas  
October 19, 2006

# **HOUSING AUTHORITY OF NEW ROADS, LOUISIANA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2006**

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Housing Authority of New Roads, Louisiana  
Management's Discussion and Analysis (MD&A)  
June 30, 2006

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The management of Public Housing Authority of New Roads, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2006. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$890,611 at the close of the fiscal year ended 2006.
  - ✓ Of this amount \$457,529 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - ✓ The remainder of \$433,082 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 282% of the total operating expenses of \$221,612 for the fiscal year 2006, which means the Authority might be able to operate about 33.8 months using the unrestricted assets alone, which compares much more favorably with 23.5 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$56,550, a 7% change from the prior fiscal year 2005. This increase is attributable to significant decreases in both repairs expenditures and in depreciation, the Authority's largest non-cash expense, described in more detail below.
- The increase in net assets of these funds was accompanied by a decrease in unrestricted cash by \$12,629 from fiscal year 2005, primarily due to spending \$99,000 less for operations than Federal funds received for operations; spending \$14,000 more for capital assets than Federal capital grants received or insurance proceeds; and transferring \$109,069 of excess cash into investments
- These changes led to an increase in total assets by \$62,434 and an increase in total liabilities by \$5,885. As related measure of financial health, there are still over \$44.79 of current assets covering each dollar of total current and long-term liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

## **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

## **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing

Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

## **Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

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Housing Authority of New Roads, Louisiana  
Management's Discussion and Analysis (MD&A)  
June 30, 2006

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The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

### FINANCIAL ANALYSIS

The Housing Authority's net assets were \$890,611 as of June 30, 2006. Of this amount, \$457,529 was invested in capital assets, and the remaining \$433,082 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general Net Assets.

### CONDENSED FINANCIAL STATEMENTS

<b>Condensed Balance Sheet</b> <b>(Excluding Interfund Transfers)</b> <b>As of June 30,</b>			<u><b>2006</b></u>	<u><b>2005</b></u>
<b>ASSETS</b>				
Current assets			\$ 446,745	\$ 348,453
Capital assets, net of depreciation			<u>457,529</u>	<u>493,386</u>
Total assets			<u>904,274</u>	<u>841,839</u>
<b>LIABILITIES</b>				
Current liabilities			<u>13,663</u>	<u>7,778</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of depreciation			457,529	493,386
Unrestricted net assets			<u>433,082</u>	<u>340,675</u>
Total net assets			<u>890,611</u>	<u>834,061</u>
Total liabilities and net assets			<u>904,274</u>	<u>841,839</u>

Housing Authority of New Roads, Louisiana  
 Management's Discussion and Analysis (MD&A)  
 June 30, 2006

**CONDENSED FINANCIAL STATEMENTS (Continued)**

The net assets of these funds increased by \$56,550, or by 7%, from those of fiscal year 2005, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Fiscal Year Ended June 30,**

	2006	2005
<b>OPERATING REVENUES</b>		
Dwelling rental	\$ 77,985	\$ 74,854
Other	5,359	11,250
Total Operating Revenues	83,344	86,104
<b>OPERATING EXPENSES</b>		
Administration	66,689	64,251
Tenant services	84	84
Utilities	4,782	4,861
Ordinary maintenance & operations	55,099	77,916
General expenses	27,068	26,709
Depreciation	63,890	85,819
Extraordinary maintenance	4,000	14,760
Total Operating Expenses	221,612	274,400
Income (loss) from Operations	(138,268)	(188,296)
<b>Non Operating Revenues (Expenses)</b>		
Interest earnings	11,814	3,557
Federal grants	168,655	193,342
Loss on disposal of assets	400	0
Other	13,949	0
Total Non-Operating Revenues (Expenses)	194,818	196,899
Income (loss) before contribution	56,550	8,603
Capital Contribution	0	4,879
Change in net assets	56,550	13,482
Total net assets - beginning	834,061	820,579
Total net assets - ending	\$ 890,611	\$ 834,061



## EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating, non-operating revenues and capital grants, decreased \$9,721, or by 3%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations decreased by \$24,687, or by 13% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was a decrease in the number of eligible tenants receiving subsidies, so Housing Assistance Grants decreased accordingly, lowering the overall total.
- Total other non-operating revenue increased by 72% from that of the prior fiscal year, because other revenue increased by \$8,058. The Authority received proceeds from casualty insurance claims, which are recorded as other income by the Authority in the year received.
- Interest income increased by \$8,257 from that of the prior fiscal year, because the Housing Authority transferred \$109,069 into temporary investments during the current fiscal year.
- Federal Capital Funds from HUD decreased by \$4,879, or by 100% from that of the prior fiscal year, because no new capital project grants were received during the current fiscal year, and all existing capital fund projects were completed in the current fiscal year.
- Total tenant revenue increased by \$3,131 from that of the prior fiscal year, because tenant rental revenues increased by 4% since occupancy rates increased by 5%.

In response to cost cutting decisions, total operating expenses decreased \$52,788, or by 19%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Maintenance and repairs decreased by \$22,817, or by 29% from that of the prior fiscal year. Materials used decreased by \$6,397, or by 29%, and contract labor costs decreased by \$16,826, or by 54%. In addition, Extraordinary maintenance decreased by \$10,760, or by 73% from that of the prior fiscal year.
- Depreciation expense decreased by \$21,929, or by 26% from that of the prior fiscal year, because there was an increase in capital assets by \$32,136, and because existing assets are reaching the end of their estimated useful lives.
- Administrative Expenses increased by \$2,437, or by 4% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$653, or by 2%, and related employee benefit contributions increased by \$879, or by 30%; therefore, total staff salaries and benefit costs increased by 4%. In addition, staff travel reimbursements increased by \$850, but sundry expenses decreased by \$164; therefore, other staff administrative expense increased by 3%. Finally, accounting fees increased by \$220; thus, total outside professional fees increased by 8%.

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Housing Authority of New Roads, Louisiana  
Management's Discussion and Analysis (MD&A)  
June 30, 2006

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## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the Housing Authority had a total cost of \$2,054,769 invested in a broad range of assets and construction in progress from projects funded in 2003 through 2005, listed below. This amount, not including depreciation, represents increases of \$32,136 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

#### **Capital Assets, Net of Accumulated Depreciation As of June 30,**

	<u>2006</u>	<u>2005</u>
Land	\$ 31,193	\$ 31,193
Buildings	384,233	433,014
Leasehold improvements	20,352	2,345
Furniture and equipment	<u>21,751</u>	<u>26,834</u>
Total	<u>457,529</u>	<u>493,386</u>

### **Debt**

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2007 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

## **CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Thomas Nelson, at Public Housing Authority of New Roads, Louisiana; 151 Cherry Street; New Roads, LA 70760.

## EXHIBIT A

HOUSING AUTHORITY OF NEW ROADS  
ENTERPRISE FUNDS - BALANCE SHEET  
JUNE 30, 2006

	<u>General</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 82,768
Investments	340,090
Accounts receivable net	620
Interest receivable	7,049
Prepaid items and other assets	11,494
Inventory	1,214
Restricted assets – cash and cash equivalents	3,510
Total Current Assets	<u>446,745</u>
Capital Assets, net	
Land	31,193
Buildings, and equipment (net)	426,336
Total Capital Assets, net	<u>457,529</u>
Total Assets	<u>\$ 904,274</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 10,153
Deposits due others	3,510
Total Current Liabilities	<u>13,663</u>
Total Liabilities	<u>13,663</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	457,529
Unrestricted	433,082
Net Assets	<u>890,611</u>
Total Liabilities and Net Assets	<u>\$ 904,274</u>

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF NEW ROADS  
ENTERPRISE FUNDS – STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30, 2006

	General
<b>OPERATING REVENUES</b>	
Dwelling rental	\$ 77,985
Other	5,359
Total Operating Revenues	<u>83,344</u>
<b>OPERATING EXPENSES</b>	
Administration	66,689
Tenant services	84
Utilities	4,782
Ordinary maintenance & operations	55,099
General expenses	27,068
Depreciation	63,890
Extraordinary maintenance	4,000
Total Operating Expenses	<u>221,612</u>
Income (loss) from Operations	<u>(138,268)</u>
Non Operating Revenues (Expenses)	
Interest earnings	11,814
Federal grants	168,655
Loss on disposal of assets	400
Other	13,949
Total Non-Operating Revenues (Expenses)	<u>194,818</u>
Income (loss) before contribution	<u>56,550</u>
Change in net assets	<u>56,550</u>
Total net assets - beginning	<u>834,061</u>
Total net assets - ending	<u>\$ 890,611</u>

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF NEW ROADS  
ENTERPRISE FUNDS -- STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006

	General
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Rental receipts	\$ 78,354
Other receipts	5,923
Payments to vendors	(86,628)
Payments to employees -- net	(67,295)
Net cash provided (used) by operating activities	(69,646)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Federal grants	168,655
Net cash provided (used) by non-capital financing activities	168,655
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from sale of capital assets	400
Purchase of capital assets	(28,035)
Insurance Proceeds	13,949
Net cash provided (used) by capital and related financing activities	(13,686)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of Investments	2,910
Interest income	8,206
Purchase of investments	(109,069)
Net cash provided (used) by investing activities	(97,953)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(12,630)
<b>CASH AND CASH EQUIVALENTS Beginning of Fiscal Year</b>	98,906
<b>CASH AND CASH EQUIVALENTS End of Fiscal Year</b>	\$ 86,276

Continued

## EXHIBIT C

HOUSING AUTHORITY OF NEW ROADS  
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2006

	<u>General</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (138,268)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	63,890
Change in assets and liabilities:	
Receivables	369
Inventories	(809)
Prepaid items	(713)
Account payables	5,995
Accrued expenses	(74)
Deferred revenue	(36)
Net cash provided (used) by operations	<u>\$ (69,646)</u>

Concluded

See accompanying notes and accountants' report

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

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HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Housing Authority of New Roads have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of New Roads, serve staggered multi-year terms.

The Housing Authority has the following units:

Program	Contract Number	Number Of Units
PHA owned housing	FW-2004	60

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the City of New Roads since the City of New Roads appoints a voting majority of the Housing Authority's governing board. The City of New Roads is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of New Roads. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of New Roads.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:



HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the Housing Authority to impose its will on that organization's body, and:
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

**B. FUNDS** The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program and the Capital Fund program.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**New Accounting Standards Adopted** During the prior year ended June 30, 2005, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No.21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of New Roads. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD & A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**PROPRIETARY FUNDS** Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. CASH AND CASH EQUIVALENTS** Cash equivalents include amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits, of less than ninety days, and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**E. INVESTMENTS** Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

**Definitions:**

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**F. INVENTORY** All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

**G. PREPAID ITEMS** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demand. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

**I. COMPENSATED ABSENCES** The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

**J. RESTRICTED NET ASSETS** Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**NOTE 2 – DEPOSITS AND INVESTMENTS** The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at June 30, 2006. Deposits are stated at cost, which approximates fair value.

**Interest Rate Risk:** The Housing Authority's policy does not address interest rate risk.

**Credit Rate Risk:** The Housing Authority investments are in Certificate of Deposits, which do not have credit ratings. However, the Housing Authority's policy does not address credit risk.

**Custodial Credit Risk-Deposits:** In the case of deposits, this is the risk that in the event of a bank failure the government's deposits may not be returned to it. \$100,000 of the Authority's total deposits the investments were covered by federal depository insurance, and do not have custodial credit risk. The remaining \$349,828 of deposits and investments are exposed to custodial credit risk because this balance is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Housing Authority's name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon request.

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at June 30, 2006, are as follows:

<u>Class of Receivables</u>	<u>General</u>
Local sources:	
Tenants	\$ 620
Other	0
Federal sources:	
Grants	0
Total	<u>\$ 620</u>

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**NOTE 4 – CAPITAL ASSETS** The changes in capital assets are as follows:

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Land	\$ 31,193	\$ 0	\$ 0	\$ 31,193
Buildings	1,891,408	19,504	0	1,910,912
Furniture and equipment	116,768	8,530	12,633	112,665
Construction in progress	0	0	0	0
Total	2,039,369	28,034	12,633	2,054,770
Less: accumulated depreciation				
Buildings	1,456,049	50,278	0	1,506,327
Furniture and equipment	89,934	13,613	12,633	90,914
Total	1,545,983	63,891	12,633	1,597,241
Fixed assets, net	\$ 493,386	\$ (35,857)	\$ 0	\$ 457,529

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority participates in the Housing – Renewal and Local Agency Retirement Plan, administered by Broussard, Bush & Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 12% percent of each participant's basic (excludes overtime) compensation. This payment represents a 5% contribution by the employee, and a 7% contribution by the Housing Authority. Additional employee contributions may be made, up the maximum IRS individual limit.

The Housing Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority. Normal retirement date shall be the first day of the month following the employee's 65<sup>th</sup> birthday or after 10 years of participation in the plan.

The Housing Authority made the required contributions of \$12,132 for the year ended June 30, 2006, of which \$3,060 was paid by the Housing Authority and \$9,072 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**NOTE 6 – ACCOUNTS PAYABLE** The payables at June 30, 2006 are as follows:

	General
Vendors	\$ 9,576
Payroll taxes & Retirement withheld	577
Total	\$ 10,153

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Litigation** The Housing Authority is not presently involved in litigation.

**Grant Disallowances** The Housing Authority participates in a number of federally assisted grant programs. The programs are periodically subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**Construction Projects** There are certain renovation or construction projects in progress at June 30, 2006. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

**Risk Management** The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

**NOTE 8 – INTERPROGRAM TRANSFERS** Interprogram transfers for the year June 30, 2006 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>
Low Rent	Capital Fund

The Capital Fund grant provisions allowed the PHA to transfer \$82,503 to the Low Rent program to pay for eligible Low Rent expenses and to also increase the operating reserve. In addition, net capital costs of \$166,377 on closed capital fund grants were transferred to Low Rent.

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

**NOTE 9 – ECONOMIC DEPENDENCE** The Department of Housing and Urban Development provided \$168,655 to the Housing Authority, which represents approximately 61% of the Housing Authority's total revenue and capital contributions for the year.

## SUPPLEMENTARY INFORMATION



HOUSING AUTHORITY OF NEW ROADS  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED JUNE 30, 2006

CASH BASIS

		2005 Capital Fund
Funds approved	\$	82,503
Funds expended		82,503
Excess of funds approved	\$	0
Funds advanced	\$	82,503
Funds expended		82,503
Excess of funds advanced	\$	0

1. The Actual Modernization Costs are as follows:
2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated March 29, 2006 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

See accountants' report

HOUSING AUTHORITY OF NEW ROADS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	\$ <u>82,539</u>
Public Housing Capital Fund	14.872	\$ <u>86,116</u>
Total United States Department of Housing and Urban Development		\$ <u>168,655</u>
Total Expenditures of Federal Awards		\$ <u>168,655</u>

See accountants' report

HOUSING AUTHORITY OF NEW ROADS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

**NOTE 1 – GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of New Roads, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 – BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's basic financial statements.

**NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

		Federal Sources
General	\$	168,655
Total	\$	168,655

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

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ACCOUNTANTS  
and the  
AICPA GOVERNMENTAL  
AUDIT QUALITY CENTER

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

Board of Commissioners  
Housing Authority of New Roads  
New Roads, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Housing Authority of New Roads, Louisiana solely to assist the users in evaluating management's assertions about compliance with certain laws and regulations during the year ended June 30, 2006. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

***Public Bid Law***

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year for materials and supplies exceeding \$20,000. There was one award and expenditure for \$19,503. We examined documentation which indicated that this expenditure had been properly advertised and accepted in accordance with the provisions of LAS-RS 38:2211-2251.

***Code of Ethics for Public Officials and Public Employees***

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

### ***Budgeting***

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on March 23, 2005 which indicated that the budget had been adopted by the commissioners by unanimous consensus. No amendments were made to the budget during the year.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues were within 5% of budgeted amounts. Expenditures for the year did not exceed budgeted amounts by more than 5%.

### ***Accounting and Reporting***

8. Randomly select a minimum of 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the 57 selected disbursements (excluding payroll that was also reviewed) and found that payment was for the proper amount and made to the correct payee.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection documentation supporting each of the 57 selected disbursements indicated approvals from the Executive Director and the chairman of the Board of Commissioners.

### ***Meetings***

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law). The PHA is publishing the proceedings of its meetings in a local newspaper.

The Housing Authority of New Roads is only required to post a notice of each meeting and the accompanying agenda on the door of the PHA's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

### ***Debt***

10. Examine bank deposits for the period under examination to determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

### ***Advances and Bonuses***

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances or gifts.

A reading of the minutes of the Authority for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances or gifts.

Our prior year report, dated October 26, 2005, did not include any comments or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for use of management of the Housing Authority and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.  
Fort Worth, Texas  
October 19, 2006

HOUSING AUTHORITY OF NEW ROADS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Prior Findings

None

Current Findings

None